

Market Monitor (%): How did major stock markets perform last week*?



Key stories from last week



US: STOCKS FALL ON RAMPING TRADE TENSIONS AND GOVERNMENT SHUTDOWN CONCERNS

U.S. stock indices declined for the week amid fears of re-escalating global trade tensions and rising concerns around the impacts of a prolonged U.S. government shutdown. The S&P 500 Index spent much of the week in positive territory, buoyed by ongoing enthusiasm for companies with artificial intelligence exposure that was supported by several new deal announcements. However, equities turned sharply lower on Friday morning after President Donald Trump posted on social media that he is considering "a massive tariff increase on Chinese products" in response to China's proposed new export controls on rare earths. With the U.S. government shutdown causing a lack of major economic data releases, T. Rowe Price believe earnings could have an outsized impact on markets and investor sentiment. Analysts polled by FactSet expect the broad-based S&P 500 Index to log a ninth consecutive quarter of year-over-year earnings growth.



JAPAN: STOCKS JUMP ON RESULT OF THE LIBERAL DEMOCRATIC PARTY'S PRESIDENTIAL ELECTION

Japan's stock markets rose sharply over the week, with the Nikkei 225 Index gaining 5.07%. Investors reacted positively to Sanae Takaichi winning the Liberal Democratic Party's (LDP) presidential election, setting the stage for her to likely become Japan's next prime minister. The electoral outcome was viewed as favourable for stocks, while the yen weakened on expectations of expansionary fiscal stimulus and continued loose monetary policy. However, late Friday, after Japan's stock markets had closed, the Komeito Party, the longstanding coalition partner of the LDP, said it was withdrawing from the coalition. The party cited policy differences and expressed concerns about how a past political funding scandal was handled. The development raised some concern among investors and prompted speculation about the prospect of a snap election being called.



CHINA: MIXED PERFORMANCE DURING SHORTENED TRADING WEEK

Mainland Chinese stock markets ended a holiday-shortened week on a mixed note. Preliminary data suggested that consumption during China's so-called Golden Week lagged the activity during the five-day Labor Day holiday in May. Sales at select retailers and restaurants rose 3.3% in the first half of Golden Week, nearly half the pace recorded over the Labor Day break, Bloomberg reported, citing government data. On the policy front, analysts are eyeing China's fourth plenum, a high-level political meeting of Communist Party officials scheduled for October 20 to 23. During the meeting, officials are expected to deliberate and approve a proposal from top leaders on China's next five-year plan laying out the country's economic and social development goals.



EUROPE: POLITICAL TURMOIL IN FRANCE AND INTERNATIONAL TRADE TENSIONS DRIVE PROFIT TAKING

Investors took profits for the week, as political turmoil in France and international trade tensions weighed on sentiment. Germany's DAX fell 0.56%, France's CAC 40 Index tumbled 2.02%, and Italy's FTSE MIB declined 2.80%. Recent economic data for Germany showed signs of further weakness, as the impact of front-loading ahead of a U.S. tariff deadline in April wore off. German industrial output dropped in August by 4.3% sequentially, much more than expected, sparking recession fears. A sharp fall in auto production was the main reason, while output of machinery and equipment, pharmaceuticals, electrical and computer, and electronic and optical products also withered. French Prime Minister Sebastien Lecornu resigned, ending the Fifth Republic's shortest-lived government, after President Emmanuel Macron named a new cabinet that was rejected by opposition parties.



UK: PROFIT TAKING AMID RISING GLOBAL TRADE TENSIONS

The UK's FTSE 100 Index fell -0.67% for the week, dragged down by profit taking amid rising global trade tensions. Reports from mortgage lender Halifax and the Royal Institution of Chartered Surveyors (RICS) pointed to slower housing market activity in September. The Halifax house price index unexpectedly fell by 0.3% sequentially, after increasing 0.2% in August. Analysts polled by FactSet expected a 0.2% uptick in house prices. Still, the cost of a house has risen 0.3% since the start of the year. The RICS measure of buyer demand and agreed sales remained negative for the third consecutive month.



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*Source: Bloomberg. All performance measured in local currency.

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